

PHILIP MORRIS U.S.A.

INTER-OFFICE CORRESPONDENCE

120 PARK AVENUE, NEW YORK, NY 10017

TO: Distribution

DATE: May 31, 1995

FROM Edna Moore/Mary Jo Gennaro

SUBJECT: Virginia Slims Legends Concerts Recommendation II

The first three Virginia Slims Legends concerts have been completed in the Spring markets. Ticket sales and overall attendance were well below expectation. Ticket sales for the Tampa and Charlotte markets combined were approximately 1,200, and Richmond averaged about 1,700. Each concert facility had a capacity of over 6,000 seats.

The Spring concert market conditions have been assessed and we are now presenting a recommendation on how to effectively proceed in the Fall markets. In this new plan, which is outlined below, Virginia Slims will realize a savings of approximately \$50,000 per market over what we had originally planned to spend in production-related expenses.

BACKGROUND

In our memo of March 28 concerning the Tampa market, an analysis was done to determine why ticket sales were stagnant. It was determined that a number of factors may have contributed to low sales, including inadequate promotional activities, thereby resulting in a lack of awareness; inappropriate creative for ROP advertising; competitive activity in the marketplace; and, perhaps, overpriced tickets.

As a result of these findings, a revised promotional plan was recommended and implemented. This plan included "empowering" the promoter to promote the shows utilizing traditional methods for selling tickets; revision of the ROP creative to heavily emphasize the artists; production of separate ads to promote the concerts and tennis events; increased advertising and promotional budgetary allocations for the concert promoter; and adding a \$10 ticket category.

The revised campaign was implemented in the Richmond market where positive results were realized, as indicated above in ticket sales. More than 1,100 of these tickets were sold at the box office, and the balance were sold

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for special activities. Although the revised advertising plan created additional awareness in the marketplace and moved more tickets, we still had to cover a large portion of the production and concert-related expenses.

As a result of low ticket sales in all Spring markets, even with the revised plan, we conducted extensive talks with concert and tennis promoters, as well as individuals from past and future markets to determine how we should proceed with future concerts. Those findings are highlighted in the recommendation below.

RECOMMENDATION

Approximately 3,100 tickets were sold for the Spring concert markets against houses with a combined capacity of more than 15,000 seats. This resulted in a loss of approximately \$540,000 from ticket sales revenue, which we had hoped would help cover production and concert-related expenses. Philip Morris had to contribute these additional funds in order to cover all expenses incurred for producing the concerts in the three Spring markets.

Although ticket sales in Richmond increased as a result of the revised advertising and promotional plan implemented in April, we do not feel comfortable moving forward in the Fall with the current talent concept.

We have determined, after lengthy conversations with various parties, that although each concert artist can sell tickets individually, they cannot sell as a Country and Rhythm and Blues package. Each music genre has its own following, and these consumers only want to spend dollars to see their "favorite" artist. Ticket cost was not a factor, as the majority of the tickets sold in the Spring markets were in the highest priced category.

We feel strongly that music is an ideal avenue for reaching the brand's consumers, and we should test a concept that everyone feels can work for the brand. Our recommendation is as follows:

- Two separate shows for the Fall markets -- a Rhythm and Blues concert on Thursdays with Gladys Knight and Regina Bell, and a Country show on Fridays with Barbara Mandrell and Martina McBride;
- Concerts should be held in smaller theaters with capacities of no more than 3,500 seats;
- Revise the overall advertising and promotional plans, where feasible, to better create awareness in the marketplace;

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- Continue the format of separate ROP ads for concert and tennis activities;
- All creative should have concert talent in primary position;
- Larger-sized ads should be produced rather than the current small-sized ads which get lost in advertising clutter;
- Approve additional advertising and promotional dollars as outlined in the revised budget submitted in early May to enable promoter to adequately promote concerts.

RATIONALE

Our rationale for this recommendation is as follows:

- Separate shows will be more appealing to consumers as we are addressing two different audiences. Each show has its own merit and audience.
- We were spending approximately \$105,000 per show in production expenses in the Spring markets. With the new format of two shows in each market, production costs will be reduced by 50%;
- By canceling the larger arenas, venue deposits of \$30,000 will be reimbursed;
- We will not incur any venue rental costs in Houston as the promoter will be using their own theater, Houston Arena Theater, and will waive all rental fees;
- Proposed ticket prices will be under \$30, with a two-tier ticket package (see attached breakdown per market);
- Promoter (Houston only) will take advantage of their annual advertising schedule for their building, thereby realizing some cost savings against our budget;
- As the R&B show will primarily attract an African-American audience, we can utilize funds from our minority advertising budget to promote these concerts, especially in the Houston market. We will still utilize

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some of the program budget to run a limited number of ads in general market publications;

- Even with the addition of three more shows, we still feel that funds already allocated in the revised budget will cover all advertising costs since we will have less seats to sell.

The above plan has been endorsed by our concert and tennis promoters, as well as the public relations agencies. They have talked with local industry representatives in each of the three remaining markets, as well as individuals in the Spring markets, and everyone feel strongly that the recommendation listed above for two separate shows is an ideal one. Although the artists enjoyed working together, they also feel positively about the revised concept.

We also strongly endorse this plan. We hope that your review and decision concerning this recommendation is a positive one that will be made quickly so that we can move forward with implementation, beginning immediately.

Please let us know if you have additional questions or concerns.

Thank you.

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